

State of Arizona
House of Representatives
Forty-fifth Legislature
First Regular Session
2001

CHAPTER 370

HOUSE BILL 2527

AN ACT

AMENDING SECTIONS 20-224.03, 41-1524, 41-1525, 41-1525.01, ARIZONA REVISED STATUTES; AMENDING TITLE 41, CHAPTER 10, ARTICLE 2, ARIZONA REVISED STATUTES, BY ADDING SECTION 41-1527; AMENDING SECTIONS 43-1074 AND 43-1161, ARIZONA REVISED STATUTES; AMENDING LAWS 1996, CHAPTER 344, SECTION 12; RELATING TO ENTERPRISE ZONES.

(TEXT OF BILL BEGINS ON NEXT PAGE)

1 Be it enacted by the Legislature of the State of Arizona:

2 Section 1. Section 20-224.03, Arizona Revised Statutes, is amended to
3 read:

4 20-224.03. Premium tax credit for increased employment in
5 enterprise zones; definition

6 A. A tax credit is allowed against the premium tax liability incurred
7 by an insurer pursuant to section 20-224, 20-837, 20-1010, 20-1060 or
8 20-1097.07 for net increases in qualified employment positions of residents
9 of this state by an insurer that is located in an enterprise zone established
10 under title 41, chapter 10, article 2. A tax credit is not allowed for the
11 portion of the tax payable to the fire fighters' relief and pension fund
12 pursuant to section 20-224 or the portion of the tax payable to the public
13 safety personnel retirement system pursuant to section 20-224.01. The amount
14 of the tax credit is equal to:

15 1. One-fourth of the taxable wages paid to an employee in a qualified
16 employment position, not to exceed five hundred dollars, in the first year
17 or partial year of employment.

18 2. One-third of the taxable wages paid to an employee in a qualified
19 employment position, not to exceed one thousand dollars per qualified
20 employment position, in the second year of continuous employment.

21 3. One-half of the taxable wages paid to an employee in a qualified
22 employment position, not to exceed one thousand five hundred dollars per
23 qualified employment position, in the third year of continuous employment.

24 B. To qualify for a credit under this section:

25 1. All of the employees with respect to whom a credit is claimed must
26 reside in this state.

27 2. Thirty-five per cent of the employees with respect to whom a credit
28 is claimed for the first year of employment must reside on the date of hire
29 in an enterprise zone that is located in the same county in which the insurer
30 is located.

31 3. A qualified employment position must meet all of the following
32 requirements:

33 (a) The position must be a minimum of one thousand seven hundred fifty
34 hours per year of full-time employment.

35 (b) The employment must include health insurance coverage for the
36 employee for which the employer pays at least fifty per cent of the premium
37 or membership cost.

38 (c) The employer must pay compensation at least equal to the wage
39 offer by county as computed annually by the department of economic security
40 research administration division.

41 (d) The employee must have been employed for at least ninety days
42 during the first taxable year. An employee who is hired during the last
43 ninety days of the taxable year shall be considered a new employee during the
44 next taxable year.

1 (e) The employee has not been previously employed by the taxpayer
2 within twelve months before the current date of hire.

3 C. The net increase in the number of qualified employment positions
4 shall be determined by comparing the average number of qualified employment
5 positions during the taxable year with the immediately preceding taxable year
6 according to the report REQUIRED BY SECTION 41-1525 AND filed by the insurer
7 with the department of commerce.

8 D. Pursuant to subsection A of this section, if the allowable tax
9 credit exceeds the state premium tax liability, the amount of the claim not
10 used as an offset against the state premium tax liability may be carried
11 forward as a tax credit against subsequent years' state premium tax liability
12 for the period, not to exceed five taxable years, provided that the insurer
13 remains in an enterprise zone.

14 E. An insurer that claims a tax credit against state premium tax
15 liability is not required to pay any additional retaliatory tax imposed
16 pursuant to section 20-230 as a result of claiming that tax credit.

17 F. A failure to report and certify to the department of commerce the
18 information prescribed by section 41-1525, subsection A, paragraphs 2 and 3
19 disqualifies the insurer from the credit under this section.

20 G. THE TERMINATION OF AN ENTERPRISE ZONE DOES NOT AFFECT THE CREDIT
21 UNDER THIS SECTION WITH RESPECT TO:

22 1. INSURERS THAT HAVE EMPLOYEES IN THE SECOND AND THIRD YEARS OF
23 EMPLOYMENT IN QUALIFIED EMPLOYMENT POSITIONS UNDER SUBSECTION A, PARAGRAPHS
24 2 AND 3 OF THIS SECTION IF THE BUSINESS REMAINS IN THE LOCATION THAT WAS IN
25 THE ENTERPRISE ZONE.

26 2. AMOUNTS CARRIED FORWARD INTO SUBSEQUENT TAXABLE YEARS UNDER
27 SUBSECTION D OF THIS SECTION.

28 ~~G.~~ H. The department may adopt rules necessary for the administration
29 of this section.

30 ~~H.~~ I. For the purposes of this section, "insurer" means any entity
31 that is subject to premium tax liability pursuant to section 20-224, 20-837,
32 20-1010, 20-1060 or 20-1097.07.

33 Sec. 2. Section 41-1524, Arizona Revised Statutes, is amended to read:
34 41-1524. Application for designation of an enterprise zone;
35 term; renewal

36 A. The commission shall apply to the department to designate a
37 qualified area in the county as an enterprise zone. The application shall
38 be in a form prescribed by the department and shall include:

39 1. A map showing the proposed boundaries of the enterprise zone.

40 2. Evidence and certification of notice and a hearing held by the
41 applicant before submitting the application.

42 3. A written narrative explaining the area and the development goals
43 and strategy for the zone, the vacancy rates of residential, commercial and
44 industrial structures and land use information.

1 4. A plan for the management or administrative responsibility for the
2 zone.

3 5. Incentives and initiatives that local governments in the proposed
4 zone will provide or establish to encourage businesses to locate in the
5 proposed zone. These may include economic or financial incentives or
6 priorities, increased public services, improved infrastructure, structural
7 rehabilitation and regulatory simplification and expedition.

8 B. If the department finds after a public hearing that the area of
9 application qualifies under this article, the department shall certify the
10 area as an enterprise zone. The department shall provide notice of the
11 certification to the department of revenue, the county assessor of any
12 affected county, any affected municipality, the enterprise zone commission
13 and each legislator whose district includes all or part of the zone.

14 C. ~~in any calendar year~~ The department shall not certify the formation
15 of more than six NEW enterprise zones in this state IN ANY CALENDAR
16 YEAR. THIS SUBSECTION DOES NOT APPLY TO THE RENEWAL OF EXISTING ENTERPRISE
17 ZONES WITH NO CHANGE IN EXISTING BOUNDARIES OR TO ZONES CERTIFIED IN THE
18 FIRST YEAR UNDER THE MOST RECENT UNITED STATES DECENNIAL CENSUS POVERTY DATA.

19 ~~C.~~ D. The department shall set a termination date for the enterprise
20 zone which shall be not more than five years after the date the zone is
21 designated, UNLESS OTHERWISE PROVIDED BY LAW. During the last year before
22 termination the commission may apply to renew the enterprise zone, and the
23 department after a public hearing may renew the zone for consecutive terms
24 of up to five years if the zone continues to meet the criteria prescribed by
25 this article. THE RENEWAL OF AN ENTERPRISE ZONE MAY NOT INCLUDE A CHANGE IN
26 THE ZONE BOUNDARIES.

27 Sec. 3. Section 41-1525, Arizona Revised Statutes, is amended to read:

28 41-1525. Tax incentives

29 A. The owner of a business or AN insurer that maintains a sales,
30 service or claims office located in an enterprise zone before July 1, 2001
31 2006 is eligible for an income tax credit under section 43-1074 or 43-1161
32 or a premium tax credit under section 20-224.03 for net increases in
33 qualified employment positions, except employment positions at a business
34 location where MORE THAN TEN PER CENT OF THE BUSINESS CONDUCTED AT THE
35 LOCATION CONSISTS OF SELLING tangible personal property ~~is sold~~ at retail,
36 ~~if the owner~~ MEASURED BY THE NUMBER OF EMPLOYEES ASSIGNED TO RETAIL AT THE
37 LOCATION IN THE ZONE. TO QUALIFY FOR A TAX CREDIT, THE OWNER MUST:

38 1. ~~Certifies~~ CERTIFY to the department of revenue the amount of
39 compensation paid to qualified employees in the enterprise zone, the dates
40 of employment and other information as requested.

41 2. ~~Certifies~~ CERTIFY to the department of commerce:

42 (a) That at least thirty-five per cent of the new qualified employees
43 are residents of the zone on the date of employment. To satisfy the
44 thirty-five per cent residency requirement, all contiguous or noncontiguous

1 zones in the county from which employers hire eligible workers shall be
2 treated as one zone.

3 (b) THAT NOT MORE THAN TEN PER CENT OF THE EMPLOYEES AT THE LOCATION
4 IN THE ENTERPRISE ZONE ARE ASSIGNED TO SELLING TANGIBLE PERSONAL PROPERTY AT
5 RETAIL.

6 3. Reports REPORT annually to the department of commerce:

7 (a) The business name and mailing address.

8 (b) The business location.

9 (c) The number of employees for which it received income tax credits
10 or premium tax credits.

11 (d) The amount of compensation paid to employees qualified for the
12 credit.

13 (e) That the employer has paid at least fifty per cent of the premium
14 or membership cost of health insurance coverage for employees qualified for
15 the income tax credit or premium tax credit for increased employment in
16 enterprise zones.

17 (f) The total amount of income tax credits or premium tax credits
18 received for that year.

19 (g) Capital investment made in the zone.

20 (h) Other information necessary for the management and reporting of
21 this program, including information on health insurance coverage for
22 qualified employment positions.

23 B. Real and personal property within an enterprise zone which is owned
24 or used by a small manufacturing business that is certified by the department
25 pursuant to section 41-1525.01 before July 1, 2001 2006 shall be assessed as
26 class six property as provided by section 42-12006.

27 C. DOCUMENTS FILED WITH THE DEPARTMENT OF COMMERCE AND THE DEPARTMENT
28 OF REVENUE UNDER SUBSECTION A OF THIS SECTION SHALL CONTAIN EITHER A SWORN
29 STATEMENT OR CERTIFICATION, UNDER PENALTY OF PERJURY, THAT THE INFORMATION
30 CONTAINED IS TRUE AND CORRECT ACCORDING TO THE BEST BELIEF AND KNOWLEDGE OF
31 THE PERSON SUBMITTING THE INFORMATION. IF THE DOCUMENT CONTAINS INFORMATION
32 THAT IS MATERIALLY FALSE, THE TAXPAYER IS INELIGIBLE FOR THE TAX INCENTIVES
33 UNDER SUBSECTION A OF THIS SECTION AND IS SUBJECT TO RECOVERY OF THE AMOUNT
34 OF TAX INCENTIVES ALLOWED IN PRECEDING TAXABLE YEARS BASED ON THE FALSE
35 INFORMATION.

36 Sec. 4. Section 41-1525.01, Arizona Revised Statutes, is amended to
37 read:

38 41-1525.01. Certification of small manufacturing businesses;
39 definitions

40 A. Through June 30, 2001 2006, the department of commerce shall
41 certify small manufacturing businesses that qualify for property tax
42 incentives under section 41-1525, subsection B. To qualify under this
43 section:

44 1. ~~An existing small manufacturing business that is already located~~
45 ~~in the enterprise zone and has a profitable operating history for the two~~

1 ~~most recent years must invest at least two million dollars in fixed assets~~
2 ~~in the zone after December 31, 1995. Investment may be cumulative.~~
3 ~~Certification is effective on January 1 of the year following completion of~~
4 ~~the required investment.~~

5 2. 1. A small manufacturing business that is newly located in the
6 zone must invest at least two million dollars in fixed assets in the zone
7 after December 31, 1995 MUST MEET THE MINIMUM INVESTMENT REQUIREMENTS
8 PRESCRIBED BY THIS PARAGRAPH. Investment THE INVESTMENTS may be cumulative.
9 Certification is effective on January 1 of the year following completion of
10 the required investment. TO QUALIFY, THE SMALL MANUFACTURING BUSINESS MUST
11 INVEST AT LEAST THE FOLLOWING AMOUNT, AS APPLICABLE, IN FIXED ASSETS IN THE
12 ZONE AFTER DECEMBER 31, 1995:

13 (a) IN COUNTIES WITH A POPULATION OF TWO HUNDRED FIFTY THOUSAND
14 PERSONS OR MORE, TWO MILLION DOLLARS, EXCEPT AS PROVIDED IN SUBDIVISION (b).

15 (b) IN ALL OTHER COUNTIES, AND FOR CITIES AND TOWNS LOCATED IN
16 COUNTIES WITH A POPULATION OF TWO HUNDRED FIFTY THOUSAND PERSONS OR MORE AND
17 THAT HAVE NO PORTION OF THE CORPORATE BOUNDARIES LOCATED WITHIN TWENTY-FIVE
18 AIR MILES FROM THE EXTERIOR CORPORATE BOUNDARY OF THE LARGEST CITY IN THE
19 COUNTY:

20 (i) CITIES WITH A POPULATION OF EIGHTY THOUSAND PERSONS OR MORE, TWO
21 MILLION DOLLARS.

22 (ii) CITIES AND TOWNS WITH A POPULATION OF AT LEAST TEN THOUSAND BUT
23 LESS THAN EIGHTY THOUSAND PERSONS AND IN UNINCORPORATED AREAS OF THE COUNTY,
24 ONE MILLION DOLLARS.

25 (iii) CITIES AND TOWNS WITH A POPULATION OF LESS THAN TEN THOUSAND
26 PERSONS, FIVE HUNDRED THOUSAND DOLLARS.

27 3. 2. A certified small MANUFACTURING business must report annually
28 to the department of commerce:

29 (a) Business name and mailing address.

30 (b) Business location.

31 (c) Number of employees.

32 (d) Value of property certified.

33 (e) Other information necessary for the management and reporting of
34 this program.

35 B. The department shall not certify any business for qualification for
36 property tax incentives after June 30, 2001 2006. However, certification
37 under this section is valid for five years regardless of whether under
38 changing circumstances the business grows beyond the limits of a small
39 business and regardless of whether the enterprise zone continues in
40 existence.

41 C. The department of commerce shall notify the department of revenue
42 and the county assessor if a certified small manufacturing business closes
43 or moves from the enterprise zone, and the assessor shall make the
44 appropriate changes to the tax roll.

45 D. For purposes of this section:

1 1. "Manufacturing" means fabricating, producing or manufacturing
2 products, wares or articles for use from raw or prepared materials, AND
3 imparting to those materials new forms, qualities, properties and
4 combinations.

5 2. "Minority owned business" means a business of which a majority of
6 the business is owned by African Americans, persons of Hispanic or Latin
7 American ancestry and persons of Native American, Asian or other minority
8 origin or descent.

9 3. "Small business" means a minority owned business, a woman owned
10 business or a concern, including its affiliates, that is independently owned
11 and operated, and employs less than one hundred full-time employees at the
12 location in the enterprise zone or had gross annual receipts of less than
13 four million dollars in its last fiscal year.

14 4. "Woman owned business" means a business of which a majority of the
15 business is owned by one or more women.

16 Sec. 5. Title 41, chapter 10, article 2, Arizona Revised Statutes, is
17 amended by adding section 41-1527, to read:

18 41-1527. Annual reports; department of commerce; department of
19 revenue

20 A. ON OR BEFORE SEPTEMBER 30 OF EACH YEAR THE DEPARTMENT OF COMMERCE
21 SHALL TRANSMIT A REPORT TO THE GOVERNOR, THE PRESIDENT OF THE SENATE, THE
22 SPEAKER OF THE HOUSE OF REPRESENTATIVES AND THE CHAIRPERSONS OF THE SENATE
23 FINANCE COMMITTEE AND THE HOUSE OF REPRESENTATIVES WAYS AND MEANS COMMITTEE,
24 OR THEIR SUCCESSOR COMMITTEES, AND SHALL PROVIDE A COPY OF THIS REPORT TO THE
25 SECRETARY OF STATE AND THE DIRECTOR OF THE ARIZONA STATE LIBRARY, ARCHIVES
26 AND PUBLIC RECORDS. THE REPORT SHALL CONTAIN THE FOLLOWING INFORMATION:

27 1. THE NUMBER, SIZE AND LOCATION OF ALL ENTERPRISE ZONES ESTABLISHED
28 AS OF THE END OF THE PRECEDING FISCAL YEAR PURSUANT TO THIS ARTICLE.

29 2. THE BUSINESS NAMES, LOCATIONS, NUMBER OF EMPLOYEES AND AMOUNT OF
30 COMPENSATION PAID TO EMPLOYEES QUALIFYING FOR INCOME TAX CREDITS AS REPORTED
31 TO THE DEPARTMENT PURSUANT TO SECTION 41-1525 IN EACH ENTERPRISE ZONE.

32 3. THE AMOUNT OF CAPITAL INVESTMENT, MADE DURING THE PRECEDING FISCAL
33 YEAR AND CUMULATIVELY, IN EACH ENTERPRISE ZONE.

34 4. THE NUMBER OF MINORITY OWNED BUSINESSES, WOMAN OWNED BUSINESSES AND
35 OTHER SMALL MANUFACTURING BUSINESSES CERTIFIED FOR PROPERTY TAX INCENTIVES
36 PURSUANT TO SECTION 41-1525.01 IN THE PRECEDING FISCAL YEAR AND CUMULATIVELY,
37 IN EACH ENTERPRISE ZONE, AND FOR EACH SUCH BUSINESS:

38 (a) THE NAME AND LOCATION.

39 (b) THE NUMBER OF EMPLOYEES.

40 (c) THE FULL CASH VALUE OF THE PROPERTY QUALIFYING FOR CLASSIFICATION
41 AS CLASS SIX PURSUANT TO SECTION 42-12006.

42 B. ON OR BEFORE SEPTEMBER 30 OF EACH YEAR THE DEPARTMENT OF REVENUE
43 SHALL TRANSMIT A REPORT TO THE GOVERNOR, THE PRESIDENT OF THE SENATE, THE
44 SPEAKER OF THE HOUSE OF REPRESENTATIVES AND THE CHAIRPERSONS OF THE SENATE
45 FINANCE COMMITTEE AND THE HOUSE OF REPRESENTATIVES WAYS AND MEANS COMMITTEE,

1 OR THEIR SUCCESSOR COMMITTEES, AND SHALL PROVIDE A COPY OF THIS REPORT TO THE
2 SECRETARY OF STATE AND THE DIRECTOR OF THE ARIZONA STATE LIBRARY, ARCHIVES
3 AND PUBLIC RECORDS. THE REPORT SHALL CONTAIN THE FOLLOWING INFORMATION:

4 1. THE FULL CASH VALUE AND ASSESSED VALUATION OF PROPERTY CLASSIFIED
5 AS CLASS SIX PURSUANT TO SECTION 42-12006, PARAGRAPH 4 IN EACH ENTERPRISE
6 ZONE AND THE ASSESSED VALUATION OF THAT PROPERTY IF IT WAS NOT CLASSIFIED AS
7 CLASS SIX.

8 2. THE FISCAL IMPACT ON EACH TAXING JURISDICTION FOR THE CURRENT TAX
9 YEAR OF CLASSIFYING PROPERTY IN ENTERPRISE ZONES AS CLASS SIX RATHER THAN IN
10 THE CLASSIFICATION IN WHICH IT WOULD OTHERWISE BE CLASSIFIED.

11 3. THE TOTAL AMOUNT OF INCOME TAX CREDITS ALLOWED FOR THE PRECEDING
12 TAXABLE YEAR PURSUANT TO SECTIONS 43-1074 AND 43-1161.

13 Sec. 6. Section 43-1074, Arizona Revised Statutes, is amended to read:
14 43-1074. Credit for increased employment in enterprise zones

15 A. A credit is allowed against the taxes imposed by this title for net
16 increases in qualified employment positions of residents of this state by a
17 business located in an enterprise zone established under title 41, chapter
18 10, article 2, except employment positions at a business location where MORE
19 THAN TEN PER CENT OF THE BUSINESS CONDUCTED AT THE LOCATION CONSISTS OF
20 SELLING tangible personal property ~~is sold~~ at retail, MEASURED BY THE NUMBER
21 OF EMPLOYEES ASSIGNED TO RETAIL AT THE LOCATION IN THE ZONE. The amount of
22 the credit is equal to:

23 1. One-fourth of the taxable wages paid to an employee in a qualified
24 employment position, not to exceed five hundred dollars, in the first year
25 or partial year of employment.

26 2. One-third of the taxable wages paid to an employee in a qualified
27 employment position, not to exceed one thousand dollars per qualified
28 employment position, in the second year of continuous employment.

29 3. One-half of the taxable wages paid to an employee in a qualified
30 employment position, not to exceed one thousand five hundred dollars per
31 qualified employment position, in the third year of continuous employment.

32 B. To qualify for a credit under this section:

33 1. All of the employees with respect to whom a credit is claimed must
34 reside in this state.

35 2. Thirty-five per cent of the employees with respect to whom a credit
36 is claimed for the first year of employment must reside on the date of
37 employment in an enterprise zone that is located in the same county in which
38 the business is located.

39 3. A qualified employment position must meet all of the following
40 requirements:

41 (a) The position must be a minimum of one thousand seven hundred fifty
42 hours per year of full-time employment.

43 (b) The employment must include health insurance coverage for the
44 employee for which the employer pays at least fifty per cent of THE premium
45 or membership cost.

1 (c) The employer must pay compensation at least equal to the wage
2 offer by county as computed annually by the department of economic security
3 research administration division.

4 (d) The employee must have been employed for at least ninety days
5 during the first taxable year. An employee who is hired during the last
6 ninety days of the taxable year shall be considered a new employee during the
7 next taxable year.

8 (e) The employee has not been previously employed by the taxpayer
9 within twelve months before the current date of hire.

10 C. The net increase in the number of qualified employment positions
11 shall be determined by comparing the average number of qualified employment
12 positions during the taxable year with the full-time employment during the
13 immediately preceding taxable year ACCORDING TO THE REPORT REQUIRED BY
14 SECTION 41-1525 AND FILED WITH THE DEPARTMENT OF COMMERCE.

15 D. If the allowable tax credit exceeds the income taxes otherwise due
16 on the claimant's income, or if there are no state income taxes due on the
17 claimant's income, the amount of the claim not used as an offset against
18 income taxes may be carried forward as a tax credit against subsequent
19 taxable years' income tax liability, not to exceed five taxable years,
20 provided the business remains in an enterprise zone.

21 E. Co-owners of a business, including partners in a partnership and
22 shareholders of an S corporation, as defined in section 1361 of the internal
23 revenue code, may each claim only the pro rata share of the credit allowed
24 under this section based on the ownership interest. The total of the credits
25 allowed all such owners of the business may not exceed the amount that would
26 have been allowed for a sole owner of the business.

27 F. A failure to report and certify to the department of commerce the
28 information prescribed by section 41-1525, subsection A, paragraphs 2 and 3
29 disqualifies the taxpayer from the credit under this section.

30 G. THE TERMINATION OF AN ENTERPRISE ZONE DOES NOT AFFECT THE CREDIT
31 UNDER THIS SECTION WITH RESPECT TO:

32 1. TAXPAYERS WHO HAVE EMPLOYEES IN THE SECOND AND THIRD YEARS OF
33 EMPLOYMENT IN QUALIFIED EMPLOYMENT POSITIONS UNDER SUBSECTION A, PARAGRAPHS
34 2 AND 3 OF THIS SECTION IF THE BUSINESS REMAINS IN THE LOCATION THAT WAS IN
35 THE ENTERPRISE ZONE.

36 2. AMOUNTS CARRIED FORWARD INTO SUBSEQUENT TAXABLE YEARS UNDER
37 SUBSECTION D OF THIS SECTION.

38 ~~G.~~ H. The department may adopt rules necessary for the administration
39 of this section.

40 Sec. 7. Section 43-1161, Arizona Revised Statutes, is amended to read:

41 43-1161. Credit for increased employment in enterprise zones

42 A. A credit is allowed against the taxes imposed by this title for net
43 increases in qualified employment positions of residents of this state by a
44 business located in an enterprise zone established under title 41, chapter
45 10, article 2, except employment positions at a business location where MORE

1 THAN TEN PER CENT OF THE BUSINESS CONDUCTED AT THE LOCATION CONSISTS OF
2 SELLING tangible personal property ~~is sold~~ at retail, MEASURED BY THE NUMBER
3 OF EMPLOYEES ASSIGNED TO RETAIL AT THE LOCATION IN THE ZONE. The amount of
4 the credit is equal to:

5 1. One-fourth of the taxable wages paid to an employee in a qualified
6 employment position, not to exceed five hundred dollars, in the first year
7 or partial year of employment.

8 2. One-third of the taxable wages paid to an employee in a qualified
9 employment position, not to exceed one thousand dollars per qualified
10 employment position, in the second year of continuous employment.

11 3. One-half of the taxable wages paid to an employee in a qualified
12 employment position, not to exceed one thousand five hundred dollars per
13 qualified employment position, in the third year of continuous employment.

14 B. To qualify for a credit under this section:

15 1. All of the employees with respect to whom a credit is claimed must
16 reside in this state.

17 2. Thirty-five per cent of the employees with respect to whom a credit
18 is claimed for the first year of employment must reside on the date of hire
19 in an enterprise zone that is located in the same county in which the
20 business is located.

21 3. A qualified employment position must meet all of the following
22 requirements:

23 (a) The position must be a minimum of one thousand seven hundred fifty
24 hours per year of full-time employment.

25 (b) The employment must include health insurance coverage for the
26 employee for which the employer pays at least fifty per cent of the premium
27 or membership cost.

28 (c) The employer must pay compensation at least equal to the wage
29 offer by county as computed annually by the department of economic security
30 research administration division.

31 (d) The employee must have been employed for at least ninety days
32 during the first taxable year. An employee who is hired during the last
33 ninety days of the taxable year shall be considered a new employee during the
34 next taxable year.

35 (e) The employee has not been previously employed by the taxpayer
36 within twelve months before the current date of hire.

37 C. The net increase in the number of qualified employment positions
38 shall be determined by comparing the average number of qualified employment
39 positions during the taxable year with the FULL-TIME EMPLOYMENT DURING THE
40 immediately preceding taxable year according to the report REQUIRED BY
41 SECTION 41-1525 AND filed by the ~~enterprise zone~~ with the department of
42 commerce.

43 D. If the allowable tax credit exceeds the income taxes otherwise due
44 on the claimant's income, or if there are no state income taxes due on the
45 claimant's income, the amount of the claim not used as an offset against

1 income taxes may be carried forward as a tax credit against subsequent years'
2 income tax liability for the period, not to exceed five taxable years,
3 provided the business remains in an enterprise zone.

4 E. Co-owners of a business, including partners in a partnership, may
5 each claim only the pro rata share of the credit allowed under this section
6 based on the ownership interest. The total of the credits allowed all such
7 owners of the business may not exceed the amount that would have been allowed
8 for a sole owner of the business.

9 F. A failure to report and certify to the department of commerce the
10 information prescribed by section 41-1525, subsection A, paragraphs 2 and 3
11 disqualifies the taxpayer from the credit under this section.

12 G. THE TERMINATION OF AN ENTERPRISE ZONE DOES NOT AFFECT THE CREDIT
13 UNDER THIS SECTION WITH RESPECT TO:

14 1. TAXPAYERS THAT HAVE EMPLOYEES IN THE SECOND AND THIRD YEARS OF
15 EMPLOYMENT IN QUALIFIED EMPLOYMENT POSITIONS UNDER SUBSECTION A, PARAGRAPHS
16 2 AND 3 OF THIS SECTION IF THE BUSINESS REMAINS IN THE LOCATION THAT WAS IN
17 THE ENTERPRISE ZONE.

18 2. AMOUNTS CARRIED FORWARD INTO SUBSEQUENT TAXABLE YEARS UNDER
19 SUBSECTION D OF THIS SECTION.

20 ~~G.~~ H. The department may adopt rules necessary for the administration
21 of this section.

22 Sec. 8. Laws 1996, chapter 344, section 12 is amended to read:

23 Sec. 12. Delayed repeal

24 Title 41, chapter 10, article 2, Arizona Revised Statutes, and sections
25 20-224.03, 43-1074 and 43-1161, Arizona Revised Statutes, are repealed from
26 and after June 30, 2001 2006.

27 Sec. 9. Renewal of current enterprise zones

28 A. Except as provided by subsection B of this section, the department
29 of commerce may renew any enterprise zone that was in existence on January
30 1, 2001 for a period expiring on the earlier of five years after the date the
31 zone was first established or December 31, 2005.

32 B. The department may renew a zone that was initially established
33 based on the poverty rate pursuant to section 41-1523, subsection A,
34 paragraph 2, Arizona Revised Statutes, for a period expiring on the earlier
35 of December 31, 2005 or December 31 of the first complete calendar year after
36 the 2000 United States decennial census poverty data become available, as
37 determined by the department.

38 C. Any zone renewed under this section is subject to subsequent
39 renewals in the manner prescribed by section 41-1524, Arizona Revised
40 Statutes.

41 Sec. 10. Emergency rules

42 The department of commerce may adopt emergency rules pursuant to title
43 41, chapter 6, article 3, Arizona Revised Statutes, for purposes of
44 administering this act.

1 Sec. 11. Retroactivity

2 A. Sections 20-224.03, 43-1074 and 43-1161, Arizona Revised Statutes,
3 as amended by this act, apply retroactively to taxable years beginning from
4 and after December 31, 2000.

5 B. Laws 1996, chapter 344, section 12, as amended by this act, is
6 effective retroactively to from and after June 30, 2001.

APPROVED BY THE GOVERNOR MAY 7, 2001.

FILED IN THE OFFICE OF THE SECRETARY OF STATE MAY 8, 2001.



Passed the House March 15, 2001,

Passed the Senate April 27, 2001,

by the following vote: 49 Ayes,

by the following vote: 25 Ayes,

4 Nays, 7 Not Voting

4 Nays, 1 Not Voting

John Flake
Speaker of the House
Pro Tempore
Norman L. Moore
Chief Clerk of the House

Randal Amant
President of the Senate
Norma howl
Asst. Secretary of the Senate

EXECUTIVE DEPARTMENT OF ARIZONA
OFFICE OF GOVERNOR

This Bill was received by the Governor this

 day of , 20 ,

at o'clock M.

Secretary to the Governor

Approved this day of

 , 20 ,

at o'clock M.

Governor of Arizona

EXECUTIVE DEPARTMENT OF ARIZONA
OFFICE OF SECRETARY OF STATE

This Bill was received by the Secretary of State
this day of , 20 ,

at o'clock M.

Secretary of State

H.B. 2527

HOUSE CONCURS IN SENATE
AMENDMENTS AND FINAL PASSAGE

May 02, 2001,

by the following vote: 47 Ayes,

8 Nays, 5 Not Voting

Jake Flake
Speaker of the House
Gorman L. Moore
Pro Tempore
Chief Clerk of the House

EXECUTIVE DEPARTMENT OF ARIZONA
OFFICE OF GOVERNOR

This Bill was received by the Governor this

2 day of May, 2001,

at 1:10 o'clock P M.

Sandra Ramirez
Secretary to the Governor

Approved this 7 day of

May, 2001,

at 3:20 o'clock P M.

Jon Kyl
Governor of Arizona

H.B. 2527

EXECUTIVE DEPARTMENT OF ARIZONA
OFFICE OF SECRETARY OF STATE

This Bill was received by the Secretary of State

this 8 day of May, 2001,

at 2:35 o'clock P M.

Betsy Bayless
Secretary of State